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ABSTRACT

Higher education is exhibiting three trends or influences: (1) declining enrollments; (2) a low priority for postsecondary education relative to other demands on our public and personal budgets; and (3) scarce resources. The author expresses some skepticism about the strength of these influences. The birth rate is declining, but enrollments are influenced by population shifts, the cost of tuition, the types of programs offered, and the ability of the institution to attract the older, nontraditional student. The lack of public concern for postsecondary education is suspected to be relative to the supply of the services offered. As the supply decreases, public concern will rise. Resources may be scarce, but if people can be convinced they are getting a good buy for their dollar, the proportion of available resources dedicated to postsecondary education can be changed if the need is demonstrated. This involves identifying and assessing the benefits of postsecondary education both measurable and unmeasurable and, at the same time, improving management so that the best use possible is made of these resources. The Kirschling-Postweiler Plan for federal financing of postsecondary education is outlined as providing for tuition reductions, student grants, or general institutional grants to improve access. (JMF)

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POSTSECONDARY EDUCATION IN HARD TIMES:

APPEARANCES AND REALITIES

by

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Education Commission of the States
Regional Conference on Postsecondary Financing

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Higher education, or postsecondary education--whichever term you use--in the course of the last three or four years has been confronted with a number of disturbing statements by policy makers and prognosticators at the national and state levels. These statements have indeed been well articulated by some of the participants in the previous seminars in this current series. In large part, those of us in higher education have either ignored these statements or accepted them passively. We have proceeded to address ourselves exclusively to financing proposals that would protect our varied vested interests.

For the most part, these policy makers and opinion makers have been looking at and commenting on the forest. We in higher education have responded by saying: "Look at the trees that make up the forest." We have been talking, but we are not having a dialogue. I propose that we in higher education should come out of our trees, so to speak, walk out on the veldt, and take a good, long look at the forest--from the same vantage point as these individuals. If we do this, I'm not convinced that we'll come to the same conclusions.

What do these friends and visionaries see that is so threatful to higher education? A good many things, of course. But for the purpose of my remarks, I have identified three trends that I believe are widely acknowledged.

Since our stock market and virtually everything else we talk about these days seem to be in a "bear" condition (either spelling will do) I have chosen to call them the three bears:

- 1 -- Decreasing enrollments.
- 2 -- A low priority for postsecondary education, relative to other demands on our public and personal budgets.
- 3 -- Scarce resources.

I think we should respond to these trends not with hostility but with skepticism. Perhaps it is time to try to cage these bears, especially if they are in fact eating our porridge. I certainly expect my comments to be challenged and improved upon. My best hope is that my thoughts on these problems will stimulate us to begin the process of responding appropriately to the concerns of the policy makers and the prognosticators.

Now for the first bear--declining enrollments. For a certainty, the baby boom is behind us. For a certainty, the birth rate is declining. But enrollment does not rise and fall evenly across the nation and across the spectrum of types of institutions in postsecondary education. Population shifts can create an increased demand for local and regional postsecondary education, even during a period of decreased overall demand. We should remember the fate of the statistician who was drowned in a stream whose average depth he had calculated to be two feet, three inches.

Having raised one reservation, let me raise another. How do we know that we are close to satisfying people's urge to learn--to learn in the manner of higher education, to learn in those areas in which higher education has

traditionally offered instruction? Tuition reductions may have a phenomenal effect on enrollment, as one Wisconsin institution found out this year. It reduced tuition by \$250 and saw enrollment jump 47 percent. It appears that support for low tuition is firming up in Congress. The principle of universal access to postsecondary education also has strong congressional backing, and that implies a recognition that there must be a commitment of resources sufficient to meet all qualified demand for postsecondary education.

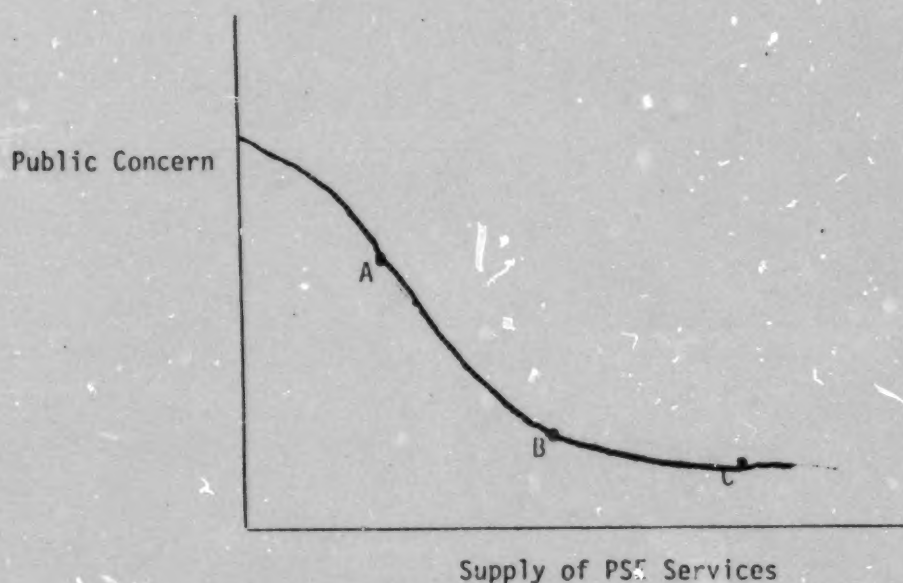
But let's consider further what we can do ourselves to find students. The effect of innovative programs on enrollment has yet to be gauged. The number and variety of such programs is growing fast. In Indianapolis, a Consortium for Urban Education, which includes eight different agencies and institutions, has initiated a college-level, college-credit program called "Learning in the City." It offers before-work, lunch-hour, and after-work courses at low tuition in office buildings. Three thousand Indianapolis city employees are eligible for work release time privileges if they enroll. Some private employers are paying the tuition of \$18 per credit hour. A consortium of five midwestern universities has created the University of Mid-America. It will promote at-home study supported by television, radio, telephone, and audio tape cassettes, as well as conventional reading matter. The University of California at San Diego administers a program of courses by newspaper, with more than 270 newspapers and 180 colleges and universities participating. In the first of these courses, an estimated 15 million persons read at least one of the weekly lectures. Hood College, a small private liberal arts

institution in Maryland attended primarily by women, revamped its curriculum to emphasize career preparation. The effect on enrollment was immediate this fall--and startling. Total enrollment jumped 43 percent. The total of new students rose 129 percent. The size of the freshman class nearly tripled. Early applications to be admitted next year are coming in at twice the usual rate. And these increases were achieved without sacrificing admissions standards. The average SAT score at Hood College this fall is up 10 to 15 points.

Postsecondary education is just beginning to consider what it may do, and very properly do, to generate enrollments. Four regional conferences this year, conducted by the American Council on Education, disclosed, in the words of the recent ACE Special Report, "an urgent need for an extensive and in-depth study of the role of higher education in urban affairs." More than 400 colleges and universities and 60 state and federal agencies sent delegates to these four conferences on urban involvement. My point is that we must not underestimate the initiative of PSE institutions in making their offerings more attractive and more competitive with other services, and in aggressively persuading non-students to become students. In short, postsecondary education has plenty of reasons to expect that its traditional constituency, the 18-to-24 age group, can be dramatically expanded, with the upper limit at 60 years or beyond. If higher education has anything to say about it, and I believe we will have, enrollments will not vary merely according to the size of the 18-to-24 age group.

The second bear is the assertion that Americans, individually and collectively, give postsecondary education a low priority in relation to other goods and services. Indeed, the available evidence does indicate that there is not much public concern about postsecondary education. However, let me suggest that this evidence is tenuous and misleading. It is entirely possible, even likely, that any significant reduction in the availability of postsecondary education, whether induced by inflation or by the decisions of our elected officials, will quickly and significantly alter this seeming public complacency. We do not ordinarily worry about needs that are being met.

Let me represent in simple graphic terms my guesstimate of the relationship between the level of public concern for PSE and the available supply of PSE services:



My hypothesis is that as the availability of PSE services increases, public concern about PSE diminishes. Other factors could, of course, cause an increase or decrease in concern. But if, for the purposes of this discussion, we assume that the other variables are constant at the moment, then the question at hand is this: where on the curve do we find ourselves in 1974--at point A, B, or C, or somewhere else? If we are at point C, services can be curtailed significantly with no appreciable change in public concern. If, on the other hand, we are at point A or B, a decrease in supply could invoke a substantial public reaction. My feeling is that we are currently somewhere near point A or B on this curve, and that any reductions in PSE services will increase public concern for PSE significantly.

Some would have us believe that higher education ranks only sixth or seventh among national concerns. Yet a recent Louis Harris poll that measured public confidence in various institutions (the medical profession, the Supreme Court, the military, Congress, and so on) showed that public confidence in higher education is relatively very high. Only the medical profession commands greater public confidence. So we find that at once, the American public expresses high confidence in higher education but accords it a low priority among needed services. This certainly raises questions about the significance of priority lists. What do they really measure? And how do we go about determining what people really want?

We don't need a poll to tell us that the major national worry is inflation. But consider that the Harris poll shows that medicine enjoys the greatest degree of public confidence, despite the fact that the cost of medical care has been rising faster than that of any other service. The Supreme Court shares second place with higher education. Yet the judiciary itself complains witterly that our court system is antiquated, inefficient, and overloaded. It can take years to get a lawsuit to trial, and years to get a hearing before the Supreme Court. None of us here today needs to be reminded that higher education, too, has its image problems. We hear on every side of lazy professors who can hardly bestir themselves to teach a couple of courses from outdated notes, of others who give no grade but "A," and of impersonal, monolithic universities in which too many courses are taught by graduate students while the faculty amuses itself with idiosyncratic research.

Still, the Harris poll shows that the American people have more confidence in higher education than they have in the military (on which the nation spends twice as much), or in organized religion, or in the executive branch of government, or in big business. Congress is at the bottom of the Harris poll list. I agree that we in higher education often have been too myopic, too self-directed. But I do not agree that public confidence in higher education is misplaced.

When resources are scarce, generally people must make hard spending choices. And that time seems now to be upon us. The Wall Street Journal for October 16 reported that consumers are already refusing to buy new TV sets, cars, and home appliances. They are making do with their old conveniences. The Journal found that most people are unhappy about having to defer the purchase of major conveniences. But obviously they consider other things more important. Now the cost of postsecondary education to the student and his family has been rising along with everything else. But in spite of this, we don't see very many individuals dropping out. We haven't seen enrollments nose-dive like the sales of so many goods and services. Some private institutions that had to raise their already quite steep tuition rates still report an increase in admissions applications. This suggests that among those who can still make spending choices, there is at least some tendency to make trade-offs in favor of higher education because it turns out to be much more basic to their values than tangible possessions that Americans are supposed to cherish above all things. Public concern about postsecondary education may not be high, but we have not reached the point where most Americans will trade off the education of their children for a new car. Have you heard anyone arguing lately for less PSE availability? And how many people would, if they could, willingly give up the education they already have? To put it another way, who regards himself as overeducated? Who among us doesn't wish he could have again some of the educational opportunities which he slighted in the past?

Let us look, then, at that third bear--the bear of scarcity of resources and inflation. He is large, ferocious, and damned dangerous. As President Roger Heyns of the American Council on Education pointed out recently, many institutions have had to support federally mandated student assistance programs out of their own general revenues because federal support has not been forthcoming. He also noted that higher education is less able than business or industry to pass on the costs of inflation. We are not prepared to price some students out of our market. But at the same time, our other funding sources are not prepared to make up our losses.

Unquestionably, the present funding crunch for all public services is partly a consequence of declining gross national product, which in turn reduces tax revenues. But it is also a consequence of a political decision to reduce public spending as a means of combating inflation--and that decision is controversial, but by no means immutable. As President Ford discovered, there is no consensus among economists, and none among congressmen, regarding overall economic policy. Strong voices have been raised against the impounding of appropriated public services funds and against reduced appropriations. No one knows what government policy will be in this area a year from now, or two. We are finding out, much to our dismay, that nothing, with the possible exception of the course of public policy, is less susceptible of trustworthy analysis and prediction than the economy. I am personally convinced that the proportion of our available resources spent on public rather than private goods and services can be increased if we are able to show Mr. and Mrs. Average American that they are getting a good buy

with their tax dollars. Hence I am convinced that the proportion of available resources dedicated to postsecondary education can and will be changed if the need to do so is demonstrated.

Determining whether taxpayers are getting a good buy from postsecondary education involves the very tricky business of identifying and assessing the benefits of postsecondary education. I hesitate to use the phrase "measuring outcomes," in part because it is a graceless piece of jargon, but mainly because so much of the value of education is entirely subjective and immeasurable. Assessing the full value of PSE is complicated, too, by the fact that some of the benefits are not of the sort we label outcomes. They are not taken with us from school except in memory. I refer to the benefits associated with the education process itself. An engineering student's potential employer may assign no value at all to the fact that the university made his transition from high school to social maturation a relatively smooth and largely happy experience. But that is a useful service. It may have meant much to our hypothetical student to be able to escape a crowded and noisy dormitory from time to time and read a book beneath a tree in the corner of a spacious, well-kept quadrangle. The budget analyst will tell you exactly how much it costs to maintain lawns and trim trees, and how much valuable land those

amenities tie up. We do not know how to account for such use of resources except to say that aesthetic values may be personal and subjective, but they are real nonetheless.

I also happen to think that we have been too modest about the measurable outcomes of higher education. For example, we are now finding out that many more students than we previously thought eventually get their degrees. In some respects, I think we have been so busy trying to do the best job we know how that we have not only failed to take the time to toot our own horn, but we have not tried to measure many of the good effects that postsecondary education has on individual students and on the nation as a whole.

I cannot leave a discussion of postsecondary education as a good buy without mentioning research. Postsecondary education constitutes a major research capacity that the nation dares not let fall into disrepair. We call upon that capacity regularly, and often strain it. Postsecondary education research creates much of the knowledge that education then imparts through the instructional process. A contraction in our capacity to do research will stifle not only the development of this nation's education capacity, but the nation's overall intellectual development as well.

Postsecondary education research is essentially public in nature--it is not done for profit. And so it can be motivated, as most for-profit research cannot be, by social concerns. The range of such concerns is

wide and governmental and general public involvement with them is deepening. Industrial research, motivated by profit, will no doubt advance our technical ability to find new sources of energy. But the energy problem, as we all know, is much more than a technical problem. While some people may make a great deal of money off this problem by finding technical solutions, it is important that society's interests be represented and well researched. Alternatives to the profit-maximizing motive must be developed. This is the kind of role that a public institution like our higher education system can fulfill.

As I'm sure you've sensed by now, I think that by and large, postsecondary education is a very good buy. I think the nation has been and will continue to be ready to spend money on postsecondary education. Maybe that is what the Harris poll is saying in part--that the people at large have so much confidence in higher education because they sense more of its benefits than employers do, or legislators.

But let's be realistic about this question of scarce resources. We all know that the question "why spend more dollars on higher education" is not the only question being asked of us. We are also being asked how we spend the dollars that are made available to us. Higher education must use available resources with great care and it must provide a greater degree of accountability. Agencies and institutions of postsecondary education already are doing a great deal to improve the efficiency with which they use resources and the methods by which they account for

them. The record with regard to fiduciary accountability is good. But we acknowledge that there are deficiencies. Through the cooperative efforts of such organizations as the National Association of College and University Business Officers, the American Institute of Certified Public Accountants, and the National Center for Higher Education Management Systems, better methods of reporting fund use are being devised. And these efforts are finding extensive support within the postsecondary education community.

Beyond this, and I think the record is clear on this point, the postsecondary education community is developing and using new management concepts as fast as they can be adapted to the particular requirements of this highly complex, human oriented enterprise. Unfortunately, some are taking these efforts as evidence that institutions have not heretofore employed workable management techniques. The techniques were indeed different from those used by industry and business. But this does not mean that they necessarily did not work. It remains to be seen whether modern economic management concepts can be applied successfully to large numbers of institutions without adversely affecting the education process.

Let me take a moment to consider why higher education management is unique. First, an institution of higher education is not so much a hierarchal organization as it is an assembly of people who deliberately have been given wide latitude in the choices they make. Students can choose the institutions they apply to, and which one they will attend. They can choose and then change their mind about the major they are

pursuing. They can decide how many courses they will take and often even who they will take these courses from and at what time of the day. Faculty are allowed to determine course content, textbooks, and criteria for evaluating the progress of students. Faculty are allowed to seek out and pursue their research interests as long as they are able to find public support for these interests. I know of no other public institution which allows for and in fact encourages freedom of choice like higher education does. The second point I would like to make about higher education management concerns planning. Since we are a public institution supported by public funds, our system is designed so that our funders also have significant choices. They can make or break programs and even entire institutions. They can reduce tuitions to zero and simultaneously increase research grants significantly. Public funders are not about to reduce the range of choices available to them. Furthermore, because of the election process, we all know that the names and faces and therefore the preferences of those making these choices can change, dramatically and quickly. So higher education managers must modify the traditional notions of planning that assume fixed, declared, historically derived objectives. We must employ a planning format that permits us not only to consider alternative futures, but to maintain our options with regard to those futures.

Having made these comments, let me return to our efforts to improve our management. It is unfortunate, but I think true, that our present efforts to improve our use of resources also have led some individuals to mistakenly assume that postsecondary education has not improved its

productivity in the past. Most studies of productivity have been based upon the credit hour and have assumed that a credit hour produced in 1920 is the equivalent of a credit hour produced in 1974. It takes but a moment's reflection by someone my age, who can compare the content of a course in 1948 with that taken by a son or daughter in 1974, to realize the difference. The amount of transmitted knowledge that a credit hour represents in 1974 is substantially greater than that represented by a credit hour earned in 1948. Institutions have restructured subject matter presentations. They have improved the teaching of concepts. And they have better ordered the sequences with which students learn concepts. All of these changes have improved our capacity to teach and the capacity of students to learn. Productivity has certainly increased. But the gains in productivity have been masked by our credit hour as a measure of transmitted knowledge.

These then are my, or rather our, three bears. Clearly, I have not caged them. But maybe I've encouraged you about the probable outcome of our struggle with them. I referred in my opening remarks to the fact that others had used these seminars as a platform for advancing their favorite financing proposals. With your permission, I would like to yield to the same temptation. We need all the help we can get in struggling with our three bears. And my favorite financing arrangement was designed in light of the struggle we are facing.

I would like beforehand to advance four criteria for evaluating national financing arrangements. First, states and institutions are going to need a great deal of flexibility in how they shape postsecondary education in their special circumstances. None of us is likely to experience exactly the same set of challenges and frustrations. Second, financing arrangements must provide positive incentives for increased enrollments. States and institutions must be encouraged to do whatever is necessary to maintain broad and meaningful access to higher education for all our citizens--a stated goal of Congress. Different states and institutions properly will seek to accomplish this in different ways. Such ingenuity and adaptation is to be encouraged by rewarding those states and institutions that do maintain and increase enrollments. Third, federal support of higher education must automatically keep pace with inflation. There must be an automatic upward bias in federal support when states and institutions are forced to spend more to keep pace with inflation. Finally, federal funding should single out postsecondary education for a high national priority--a priority service worthy of support from all sources: federal, state, local, and individual.

I hasten to point out that I don't think these are the only important criteria for national financing arrangements. Not all of our financing programs should accommodate these and only these criteria. It is important, though, that some of them do and that one or more of them meet these criteria rather specifically. There is at least one plan that does so.

In my recent testimony before the House select subcommittee on education, I referred to this as the Kirschling-Postweiler Plan. Congressman O'Hara has spoken about this plan to various groups, and some have labelled it as educational revenue sharing. I prefer to think of it not as revenue sharing, but as responsibility sharing.

I must in fairness tell you immediately that Dr. Kirschling and Dr. Postweiler developed the plan at NCHEMS, and so I cannot claim to be pristinely objective about it. The plan stands very well on its merits, however. It has a long title: "A Financing Plan that Depends Upon the Educational Efforts of the States and the Attendance Choice of Students." But the title concisely sums up the major virtues of the plan. The Kirschling-Postweiler plan does give careful attention to the creation of positive incentives. It provides for tuition reductions, student grants, or general institutional grants--all on an equitable differential basis that takes into account a state's ability to support postsecondary education. It avoids the inequities associated with dollar-matching grants. It will reward a state that makes its institutions accessible to students from other states, and it encourages efforts to improve access generally. It does not call for the creation of a huge monitoring and auditing bureaucracy.

It does not shift needs assessment and decision making to Washington. Perhaps most important, the Kirschling-Postweiler Plan documentation includes a careful analytic study of the incentives that would result from its implementation. Policy analyses are often deficient in this regard.

This then is my bear story and my thoughts on a financing plan that would help. I look forward to your discussions, which I hope will range well beyond my remarks and which I expect will be very educational for me.